

**BRACKEN COUNTY WATER DISTRICT  
BROOKSVILLE, KENTUCKY  
AUDITED FINANCIAL STATEMENTS  
For the Years Ended December 31, 2015 and 2014**



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BRACKEN COUNTY WATER DISTRICT  
BROOKSVILLE, KENTUCKY  
Years Ended December 31, 2015 and 2014

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*Penny R. Stanfield, CPA & Co., PLLC*

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*Certified Public Accountant*

## **INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Bracken County Water District  
Brooksville, Kentucky 41004

### **Report on the Financial Statements**

I have audited the accompanying financial statements of Bracken County Water District as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Bracken County Water District as of December 31, 2015 and 2014, and the respective changes in financial position and cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

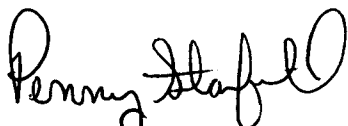
Management has omitted the management's discussion and analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bracken County Water District's basic financial statements. The accompanying supplemental information on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued a report dated October 18, 2016, on my consideration of the Bracken County Water District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bracken County Water District's internal control over financial reporting and compliance.



PENNY R. STANFIELD, CPA & CO., PLLC  
Maysville, Kentucky

October 18, 2016

**BRACKEN COUNTY WATER DISTRICT**  
**STATEMENTS OF NET POSITION**  
**PROPRIETARY FUND**  
**December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents - Unrestricted	\$ 828,040	\$ 735,868
Unbilled Revenue	75,391	75,391
Accounts Receivable - Customers, Net of Allowance for Uncollectible (\$17,837)	133,810	140,922
Inventory	52,413	51,316
Prepaid Insurance	18,774	17,923
Total Current Assets	<u>1,108,428</u>	<u>1,021,420</u>
Noncurrent assets:		
Cash and Cash Equivalents - Restricted	236,080	228,995
KRWFC Sinking Fund	133,503	134,121
Bond Issue Costs	-	95,528
Nondepreciable Capital Assets:		
Land	14,491	14,491
Construction in Progress	300,744	-
Depreciable Capital Assets:		
Property, Plant and Equipment	16,634,333	16,526,993
Less: Accumulated depreciation	<u>(5,314,902)</u>	<u>(5,019,055)</u>
Total Noncurrent Assets	<u>12,004,249</u>	<u>11,981,073</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 13,112,677</b></u>	<u><b>\$ 13,002,493</b></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts Payable	\$ 98,981	\$ 89,447
Customer Deposits	66,700	62,200
Accrued Wages and Vacation Pay	31,912	26,425
Taxes Payable	4,716	10,375
Accrued Interest	71,523	74,978
Current Portion of Long-Term Debt	248,675	233,922
Total Current Liabilities	<u>522,507</u>	<u>497,347</u>
Noncurrent Liabilities:		
Notes Payable, Net of Current Portion	<u>4,378,450</u>	<u>4,331,623</u>
<b>TOTAL LIABILITIES</b>	<u><b>4,900,957</b></u>	<u><b>4,828,970</b></u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	7,007,541	6,956,884
Restricted for:		
Debt Service	197,114	196,580
Capital Projects and Replacement	104,252	100,629
Customer Deposits	68,217	65,907
Unrestricted	834,596	853,523
<b>TOTAL NET POSITION</b>	<u><b>\$ 8,211,720</b></u>	<u><b>\$ 8,173,523</b></u>

The notes to the financial statements are an integral part of this statement.

**BRACKEN COUNTY WATER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**For The Years Ended December 31, 2015 and 2014**

	2015	2014
<b>OPERATING REVENUES:</b>		
Water Sales	\$ 1,451,141	\$ 1,502,896
Service Charges and Other Revenue	52,866	52,478
<b>TOTAL OPERATING REVENUES</b>	<u>1,504,007</u>	<u>1,555,374</u>
<b>OPERATING EXPENSES:</b>		
Water Purchased	366,766	389,452
Salaries	239,292	233,033
Employee Pensions and Benefits	37,023	37,529
Electricity	44,428	46,055
Maintenance	21,762	26,356
Materials and Supplies	47,699	84,531
Insurance	38,385	39,853
Advertising	184	956
Accounting and Legal Fees	77,307	9,210
Transportation	13,787	16,828
Water Analysis Fee	2,813	3,162
Regulatory Commission Expense	3,006	2,926
Depreciation and Amortization	299,612	310,432
Payroll Taxes	17,534	17,425
<b>TOTAL OPERATING EXPENSES</b>	<u>1,209,598</u>	<u>1,217,748</u>
<b>OPERATING INCOME</b>	294,409	337,626
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Customer Tap Fees	25,500	26,050
Gain/Loss on Sale of Assets	(2,510)	-
DOT Project Flow Through Income	20,959	-
DOT Project Flow Through Expense	(20,959)	-
Interest Income	1,005	582
Interest Expense	(184,679)	(194,295)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(160,684)</u>	<u>(167,663)</u>
<b>Net Income Before Capital Contribution</b>	133,725	169,963
Capital Contribution	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	133,725	169,963
NET POSITION- Beginning of year	8,173,523	8,023,540
Prior Period Adjustment	<u>(95,528)</u>	<u>(19,980)</u>
<b>NET POSITION- End of year</b>	<u>\$ 8,211,720</u>	<u>\$ 8,173,523</u>

The notes to the financial statements are an integral part of this statement.

**BRACKEN COUNTY WATER DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For The Years Ended December 31, 2015 and 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Receipts from Customers	\$ 1,462,753	\$ 1,485,455
Cash Payments to Suppliers for Goods and Services	(614,210)	(597,691)
Cash Payments for Salaries and Benefits	(288,361)	(283,009)
Other Receipts (Payments)	52,866	52,478
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>613,048</b>	<b>657,233</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
KRWFC Sinking Fund	618	510
Interest Income	1,005	582
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>1,623</b>	<b>1,092</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds From Capital Debt	295,502	-
Principal Paid on Capital Debt	(233,922)	(225,748)
Purchases of Capital Assets	(414,359)	(147,571)
State Grants Received	-	-
Contributed Capital - Tap Fees	25,500	26,050
Interest Paid on Capital Debt	(188,135)	(194,295)
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>(515,414)</b>	<b>(541,564)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>99,257</b>	<b>116,761</b>
Cash and Cash Equivalents - Beginning of Year	964,863	848,102
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,064,120</b>	<b>\$ 964,863</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	\$ 294,409	\$ 337,626
Adjustments to Reconcile Operating Income to		
Net Cash Used by Operating Activities:		
Depreciation Expense	299,612	307,335
Amortization Expense	-	3,097
Change in Assets and Liabilities:		
Accounts Receivable	7,112	(20,691)
Inventories	(1,097)	5,894
Prepaid Expense	(851)	257
Accounts Payable and Other Payables	3,875	15,487
Customer Deposits	4,500	3,250
Accrued Wages and Vacation	5,488	4,978
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 613,048</b>	<b>\$ 657,233</b>

The notes to the financial statements are an integral part of this statement.

**BRACKEN COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2015 and 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Bracken County Water District was created and organized as a public body corporate in Bracken County, Kentucky, pursuant to Chapter 74 of the Kentucky Revised Statutes, by the Bracken County Fiscal Court to operate a water distribution system. The District is regulated by the Kentucky Public Service Commission.

**The Reporting Entity**

The District, for financial purposes, includes all of the funds relevant to the operations of the District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Bracken County Water District.

The financial statements of the District would include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of financial interdependency, selection of government authority, designation of management, ability to significantly influence operations, accountability of fiscal matters, scope of public service and financing relations. The entities included in the financial statements are the general operations of the District. Bracken County Water District No. 1 merged with Western Bracken County Water District effective December 27, 1995 by order of the Public Service Commission.

Based on the foregoing criteria there are no other organizations included in these financial statements.

**Enterprise Funds**

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Basis of Accounting**

The accounts of the District are maintained on the accrual basis of accounting. The District's financial statements include the operations of all entities for which the District exercises oversight responsibility. Oversight responsibility includes, but is not limited to financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

**Inventory**

Inventory is valued at the lower of cost or market.



**BRACKEN COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2015 and 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fixed Assets**

Fixed assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. Depreciation is applied on the straight-line method over the estimated useful life of the asset, using rates determined by reference to Utility Standards Rates (NARUC). Asset lives range from 75 years for system lines and plant, to 20 years for pumping equipment, 20 years for meters, and from 5 to 20 years for vehicles and office equipment. The provisions for depreciation in 2015 reflect those standard rates by asset class. The District's capitalization threshold is \$1,000.

**Unbilled Revenue**

The District records revenue as billed to its customers on monthly meter reading cycle. At the end of each year, water service that has been rendered from the latest date of each meter reading to the year-end is unbilled.

**Power Costs**

The cost of power purchases for pumping water is charged to expense as used.

**Income Tax Status**

The District is a political subdivision created under Kentucky Revised Statutes 74.012, and as such, is exempt from federal and state income taxes. Accordingly, the financial statements include no provision for income taxes.

**Cash Flows**

For purposes of the statement of cash flows, the District uses the direct method of reporting net cash flow from operating activities, and considers certificates of deposit with a maturity of six months or less to be cash equivalents.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Net Position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are legal limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

**BRACKEN COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2015 and 2014**

**NOTE 2: CUSTODIAL CREDIT RISK**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash and cash equivalents consist of checking and savings accounts with local banks. The District does not have a deposit policy for custodial credit risk. As of December 31, 2015, \$348,087 of the bank balance was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank	<u>\$348,087</u>
Total	<u>\$348,087</u>

**NOTE 3: LONG-TERM DEBT**

In connection with two major construction projects, the District obtained new loans to pay for construction not otherwise covered by Federal or State grants or by local funds. On October 7, 2004, the District finalized a long-term loan with USDA Rural Development in the amount of \$980,000 for the Southwestern Project. On August 31, 2004, the District finalized a \$928,000 loan from KIA for the Berlin-Lenoxburg Project.

The Rural Development loan is for 40 years, 4.5%, principal payable on December 1 of each year and interest paid semi-annually. The KIA loan is for 20 years, 3.0%, principal and interest payable monthly.

The Delisle Curve and office building projects were funded by loans through the Kentucky Rural Water Finance Corporation (KRWFC). In April 2006, the District obtained short-term financing in the amount of \$3,085,000 to begin construction on these projects. In August 2007, bonds were issued in the amount of \$3,350,000 to payoff the short-term financing and for additional construction costs. The loan is for 20 years, 4.175% to 4.550%, principal and interest payments made monthly into the sinking fund at KRWFC.

On March 1, 2012, the District obtained two loans from Kentucky Infrastructure Authority (KIA) to commence construction on two projects. The first project is a line replacement project which was funded by Loan Fund C in the amount of \$621,000. The second project was for the Short Road improvement and upgrade project which was funded by Loan Fund B in the amount of \$475,000, of which 80% of the principal was forgiven. Both loans were financed at a 3% interest rate.

The KY 19 Master Meter to Kelly Ridge project was funded by a Kentucky Infrastructure Authority (KIA) loan on September 1, 2015 in the amount of \$358,000. As of December 31, 2015, \$295,502 of the available loan amount has been disbursed to commence the project. Repayment of the loan will begin in December 2016 and will be in semi-annual payments of \$10,624 with an interest rate of 1.75%.

**BRACKEN COUNTY WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Years Ended December 31, 2015 and 2014**

**NOTE 3: LONG-TERM DEBT (Continued)**

The following is a summary of changes in long-term debt for the year ended December 31, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance
\$791,334, 02-10 KIA For construction through December 31, 2003, loan maximum \$928,000, interest at 3.00%	\$ 532,577	\$ -	\$ 46,409	\$ 486,168
\$980,000, 2004 Rural Development dated 10/07/04, due 2044, principal payable annually on Dec. 1 and interest payable semi-annually at 4.50%	874,000	-	15,000	859,000
\$3,350,000, Kentucky Rural Water Finance Corp. Series 2007 D, dated 07/30/07, principal payable annually, interest payable semi-annually at 4.175-4.55%	2,475,000	-	145,000	2,330,000
\$475,000 KIA (principal forgiven \$380,000) Loan #B10-10, dated 03/01/12 principal payable semi-annually, interest payable semi-annually at 3.00%	85,981	-	3,800	82,181
\$621,000, KIA Loan #C11-01, dated 03/01/12 payable monthly, principal in varying amounts, interest at 3.00%	597,987	-	23,713	574,274
\$358,000 KIA Loan #B15-002, dated 09/01/15 payable semi-annually, principal in varying amounts, interest rate 1.75%	-	295,502	-	295,502
	4,565,545	295,502	233,922	4,627,125
Less: Current Maturities	233,922			248,675
Totals	<u>\$4,331,623</u>			<u>\$4,378,450</u>

The following is a schedule of long-term debt maturities:

	Principal	Interest
2016	248,675	179,377
2017	269,693	172,880
2018	278,338	162,614
2019	287,057	151,737
2020	300,857	140,854
2021-2025	1,621,706	653,240
2026-2030	908,435	218,673
2031-2035	346,364	111,885
2036-2040	215,000	59,065
2041-2045	151,000	13,591
	<u>\$ 4,627,125</u>	<u>\$1,863,916</u>

**BRACKEN COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2015 and 2014**

**NOTE 4: RESERVES**

The Bracken County Water District is required to comply with the KIA and Rural Development bond agreements as follows:

**A. SINKING FUND**

On or before the 20<sup>th</sup> day of each month and after the required payment to the Operation and Maintenance Fund Account, the District is required to set aside an amount into a special account known as the "Bracken County Water District Waterworks, Bond and Interest Sinking Fund". The amount to be set aside and paid into the Sinking Fund each month shall be sums equal to the following amounts:

- (1) A sum equal to one-sixth (1/6) of the interest becoming due on the next succeeding interest due date, with respect to all outstanding Bond Issues.
- (2) A sum equal to one-twelfth (1/12) of the principal of all such bonds maturing on the next succeeding January 1.

The District had set aside \$197,114 at December 31, 2015 into the restricted account. Deposits were made to the sinking fund on a monthly basis as required in (1) and (2).

**B. DEPRECIATION FUND**

The District is required to deposit \$470 and \$310 for Rural Development and KIA each month into the Depreciation Fund account as well as the proceeds from the sale of any equipment no longer usable or needed, fees or charges collected from potential customers to aid in the financing of the cost of extensions, additions and/or improvements to the project, plus the proceeds of any property damage insurance not immediately used to replace damaged or destroyed property. Monies in the Depreciation Fund shall be available and shall be withdrawn and used, upon appropriate certification to Rural Development and KIA, for the purpose of paying the cost of constructing replacements, extensions, additions and/or improvements to the project. Whenever the balance in the Depreciation Fund shall equal \$56,400 (\$37,000 for KIA) the monthly payments may be discontinued, or by the order of the governing body of the District, may be diverted into the Sinking Fund Account to be held as a part of the Sinking Fund Reserve and may then be used to redeem Bonds; however, the payments into the Depreciation Fund must be resumed whenever necessary to restore the balance. The District is also required to deposit \$1,200 annually until the account reaches \$12,000 and \$1,600 annually until the account reaches \$16,000 for new KIA loans. The District had set aside \$103,952 at December 31, 2015 into restricted accounts.

**BRACKEN COUNTY WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Years Ended December 31, 2015 and 2014**

**NOTE 5: FIXED ASSETS**

Capital asset activity for the fiscal year ended December 31, 2015 was as follows:

<u>Business-Type Activities</u>	<u>Balance Jan. 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Dec. 31, 2015</u>
Cost:				
Land	\$ 14,491	\$ -	\$ -	\$ 14,491
Plant in Service	15,996,589	111,929	-	16,108,518
Other Depreciable Assets	530,404	1,686	6,275	525,815
Construction in Progress	-	300,744	-	300,744
Totals at historical cost	16,541,484	414,359	6,275	16,949,568
Less accumulated depreciation:				
Land & Land Rights	835	-	-	835
Plant in Service	4,597,576	246,874	-	4,844,450
Other Depreciable Assets	420,644	52,738	3,765	469,617
Total accumulated depreciation	5,019,055	299,612	3,765	5,314,902
<b>Business-Type Activities Capital Assets - Net</b>	<b><u>\$ 11,522,429</u></b>	<b><u>\$ 114,747</u></b>	<b><u>\$ 2,510</u></b>	<b><u>\$ 11,634,666</u></b>

Capital asset activity for the fiscal year ended December 31, 2014 was as follows:

<u>Business-Type Activities</u>	<u>Balance Jan. 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Dec. 31, 2014</u>
Cost:				
Land	\$ 14,491	\$ -	\$ -	\$ 14,491
Plant in Service	15,907,837	88,752	-	15,996,589
Other Depreciable Assets	471,585	58,819	-	530,404
Construction in Progress	-	-	-	-
Totals at historical cost	16,393,913	147,571	-	16,541,484
Less accumulated depreciation:				
Land & Land Rights	835	-	-	835
Plant in Service	4,369,885	243,640	-	4,613,525
Other Depreciable Assets	341,000	63,695	-	404,695
Total accumulated depreciation	4,711,720	307,335	-	5,019,055
<b>Business-Type Activities Capital Assets - Net</b>	<b><u>\$ 11,682,193</u></b>	<b><u>\$ (159,764)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 11,522,429</u></b>

**BRACKEN COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2015 and 2014**

**NOTE 6: ECONOMIC DEPENDENCY**

The District purchases all of its water from the District of Augusta Water Treatment Plant, through a long-term contract at rates determined annually on the basis of operating costs of the Water Treatment Plant.

**NOTE 7: RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts - theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District carries commercial insurance coverage for the risks to the extent deemed prudent by the District's managements.

**NOTE 8: SUBSEQUENT EVENTS**

Subsequent events were considered through October 18, 2016, which represents the release date of this report.

**NOTE 9: PRIOR PERIOD ADJUSTMENT**

The District adopted a change in accounting principle for the year ending December 31, 2015. GASB 65, *Items Previously Reported as Assets and Liabilities* amends or supersedes accounting principles which required debt issuance costs to be amortized over the life of the debt issuance. Under GASB 65, the District is required to recognize debt issuance costs as an expense in the current period. While there were costs being amortized from prior periods, the removal of these costs reduced net position at December 31, 2015 by \$95,528.

**NOTE 10: CONSTRUCTION COMMITMENT**

The District has commenced construction on a project, KY 19 Master Meter to Kelly Ridge Project, to replace 8,500 feet of lines. The project is funded by a KIA loan. The estimated costs and funding sources for the project are as follows:

KIA – Fund B Loan	\$358,000
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Cost of the Project is estimated as follow:

Engineering	\$ 53,000
Construction	250,000
Other Costs	30,000
Contingency	<u>25,000</u>
	<u>\$358,000</u>

## **SUPPLEMENTAL INFORMATION**

**BRACKEN COUNTY WATER DISTRICT**  
**SUPPLEMENTARY INFORMATION REQUIRED BY RURAL DEVELOPMENT**  
**December 31, 2015**

Schedule of Insurance in Force

<u>Insurance Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration Date of Policy</u>
General Liability	\$3,000,000	07-01-16
Property - Building & Contents	\$5,009,624	07-01-16
Equipment & Vehicles	\$384,392	07-01-16
Treasurer and Commissioners	\$300,000 and \$10,000	04-25-16
Workers Compensation	Statutory	07-01-16
Encroachment Permit	\$25,000	Indefinite

Aged Accounts Receivable

A detailed schedule of aged accounts receivable is prepared on a monthly basis. At December 31, 2015, accounts receivable were aged as follows:

	<u>Number Of Accounts</u>	<u>Amount</u>
Current	2,507	\$120,998
Over 30 Days	390	21,182
Over 60 Days	35	394
Over 90 Days	184	9,073
Total	<u>3,116</u>	<u>\$151,647</u>

During 2015, the District carried a reserve for possible uncollectible accounts of \$17,837. Accounts in arrears have been collected or are covered by deposits.

The District had a total of 2,492 customers at December 31, 2015. Of these customers, 2,472 were residential, 18 were commercial, and 2 were resale.





*Penny R. Stanfield, CPA & Co., PLLC*

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*Certified Public Accountant*

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners  
Bracken County Water District  
Brooksville, Kentucky 41004

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Bracken County Water District as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Bracken County Water District's basic financial statements, and have issued my report thereon dated October 18, 2016.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Bracken County Water District's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bracken County Water District's internal control. Accordingly, I do not express an opinion on the effectiveness of Bracken County Water District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bracken County Water District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



PENNY Q. STANFIELD, CPA & CO., PLLC  
Maysville, Kentucky

October 18, 2016